

CITY OF ALLEN PARK
WAYNE COUNTY, MICHIGAN
COMPREHENSIVE ANNUAL FINANCIAL REPORT
JUNE 30, 2005

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name City of Allen Park		County Wayne
Audit Date 6-30-05	Opinion Date 10-15-05	Date Accountant Report Submitted to State: 12-19-05		

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

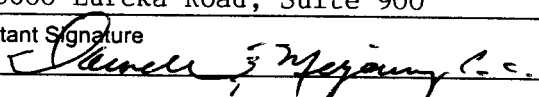
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Darnell & Meyering, P.C.			
Street Address 20600 Eureka Road, Suite 900	City Taylor	State MI	ZIP 48180
Accountant Signature 			

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Comprehensive Annual Financial Report
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DARNELL & MEYERING, P.C.

Certified Public Accountants

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MEMBERS
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CERTIFIED PUBLIC ACCOUNTANTS
MICHIGAN ASSOCIATION OF
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

To the Mayor and Elected Officials of the Council
City of Allen Park
16850 Southfield Road
Allen Park, MI 48101

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Allen Park as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Allen Park's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

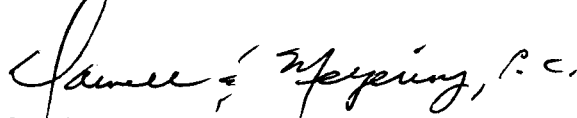
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Allen Park, as of June 30, 2005 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on page 3-8 and 49-50, are not a required part of the basic financial statements but are supplementary information required by Accounting Principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and

presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Allen Park's basic financial statements. The accompanying supplementary information, such as the introductory section, combining and individual fund financial statements and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The relevant supplementary information, such as the combining and individual fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statement taken as a whole.

DARNELL & MEYERING, P.C.

A handwritten signature in cursive script, appearing to read "Darnell & Meyering, P.C.", is written over the printed name.

October 15, 2005

City of Allen Park
Management's Discussion and Analysis (MD&A)
Year ended June 30, 2005

The management of the City of Allen Park presents this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2005. The City encourages readers to consider the information presented here in conjunction with the additional information found within the body of the audit.

FINANCIAL HIGHLIGHTS

As discussed in further detail in this discussion and analysis, the following represent the most significant financial highlights for the year ended June 30, 2005:

- State-shared revenue, our second largest revenue source, was held constant by the State of Michigan this year. This remains approximately \$900,000 lower than the State's constitutional and statutory formula dictates. To offset this reduction in State-shared revenue, the City has left vacant positions unfilled, made cuts to departmental budgets, and put several major projects on hold.
- In order to more accurately present overall costs associated with the specific functions of the City, departmental budgets now reflect all costs related to the activity, including health, retirement and administrative costs. This now allows us to more accurately report and analyze the cost of services provided.
- The City sold a parcel of land within the Downtown Development Authority district which resulted in a gain of approximately \$1,100,000. While the City used the proceeds to bolster the General Fund and offset the year's shortfall, any future tax revenue will be recorded within the DDA Operating Fund
- Continued efforts were focused on holding down expenditures to balance the increase in medical and retirement benefits and a 3.5 percent salary increase for Police, Fire and AFSCME employees.
- As a result of the continued financial challenges facing the City, the City undertook a review of the entire operating structure. The intent of the review was to identify areas of operations that could be improved to provide better customer service at a reduced cost. As such, an early retirement incentive was offered to the COAM and AFSCME employees prior to June 30, 2005 in order to accommodate this new structure.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of Net Assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the City that are principally supported by revenues received from the State of Michigan and the taxpayers of the City of Allen Park.

The Government-Wide Financial Statements can be found on pages 9-12 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into six categories. They are:

- A. General Government – General Fund
- B. Special Revenue – Major and Local Streets, Revolving Sidewalk, Building, Downtown Development Authority, and Drug Law Enforcement.
- C. Debt Service – Community Center bond debt retirement, Downtown Development Authority bond debt retirement.
- D. Capital Projects – Downtown Development Authority Construction and the community center construction fund.
- E. Enterprise – Water & sewer.
- F. Trust and Agency – employee retirement funds, payroll fund and tax collection fund.

The basic government fund financial statements can be found on pages 13-15 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 25-48 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$92,363,551 in the current year compared to \$94,096,417 in the prior year.

The largest portion of the City's net assets reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to the public; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The City's financial position is the product of a number of transactions including the net results of its activities, the payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

Net Assets for the period ended June 30, 2004 and 2005:

Assets	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Current Assets	\$ 4,865,082	\$ 4,495,023	\$ 4,715,295	\$ 7,002,565	\$ 9,580,377	\$ 11,497,588
NonCurrent Assets	97,185,816	99,316,100	40,421,140	38,942,135	137,606,956	138,258,235
Total Assets	102,050,898	103,811,123	45,136,435	45,944,700	147,187,333	149,755,823
Liabilities and Net Assets						
Current Liabilities	1,562,885	1,541,592	4,614,367	4,466,272	6,177,252	6,007,864
NonCurrent Liabilities	8,124,462	8,173,114	24,895,010	26,517,874	33,019,472	34,690,988
Total Liabilities	9,687,347	9,714,706	29,509,377	30,984,146	39,196,724	40,698,852
Net Assets						
Invested in Capital Assets						
Net of Related Debt	92,013,092	92,816,100	13,951,263	10,951,836	105,964,355	103,767,936
Contributed Capital	-	0	939,764	939,764	939,764	939,764
Restricted	-	0	608,837	1,113,828	608,837	1,113,828
Unrestricted	350,459	1,280,317	127,194	1,955,126	477,653	3,235,443
Total Net Assets	\$ 92,363,551	\$ 94,096,417	\$ 15,627,058	\$ 14,960,554	\$ 107,990,609	\$ 109,056,971

The following table presents a summary of revenue and expense for the fiscal year ended June 30, 2005:

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenues						
General Revenues	\$ 24,249,142	\$ 20,643,105	\$ 1,912,578	\$ 2,796,694	\$ 26,161,720	\$ 23,439,799
Charges for Services	3,183,201	3,475,384	5,466,236	5,555,563	8,649,437	9,030,947
Operating Grants & Contributions	445,214	98,044	-	-	445,214	98,044
Capital Grants & Contributions	230,309	208,200	-	-	230,309	208,200
Total Revenues	28,107,866	24,424,733	7,378,814	8,352,257	35,486,680	32,776,990
Program Expenses including Indirect Expenses						
General Government	7,391,201	11,512,609	-	-	7,391,201	11,512,609
Public Safety	9,789,652	6,978,468	-	-	9,789,652	6,978,468
Highways and Streets	4,157,341	3,806,103	-	-	4,157,341	3,806,103
Sanitation	2,053,430	1,380,471	-	-	2,053,430	1,380,471
Recreation & Culture	2,044,645	1,750,651	-	-	2,044,645	1,750,651
Interest Expense	311,088	279,159	-	-	311,088	279,159
Unallocated Depreciation Expense	4,093,375	3,917,459	-	-	4,093,375	3,917,459
Water and Sewer	-	-	6,712,310	7,086,040	6,712,310	7,086,040
Total Expenses	29,840,732	29,624,920	6,712,310	7,086,040	36,553,042	36,710,960
Change in Net Assets	\$ (1,732,866)	\$ (5,200,187)	\$ 666,504	\$ 1,266,217	\$ (1,066,362)	\$ (3,933,970)

Budget Allocation

The General Fund pays for most of the City's governmental services. The most significant are police and fire, which incurred expenses of approximately \$10,250,000. Other government services accounted for in the General Fund includes general government (City Clerk, Administration, Treasurer) Department of Public Service and Recreation. General Fund expenditures increased by approximately \$1,050,000 million due to increases in health care costs, increased contributions to the City's defined benefit retirement plan and inflationary pressures.

Budgetary Implications

The budget is impacted by a number of factors that are outside the City's control. The City in recent years has experienced a decline in the State Shared Revenues received by the State of Michigan. Those State Shared revenues have a significant impact on the ability of the City to provide much needed services to its citizens. Additionally, the City has experienced continued increases in the health care premiums for its employee's as well as its eligible retiree's. Due to Proposal A limitations and the Headlee Amendment, the growth of tax revenues other than property transfers is limited to the consumer Price Index (CPI) for the corresponding year. Lastly, the City has experienced a 3.5% increase in employee wages due to collective bargaining agreements with Police, Fire and AFSCME.

Capital Asset and Debt Administration

Capital assets. The City of Allen Park's investment in capital assets for its governmental and business type activities as of June 30, 2005 amounts to \$137,521,206 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, roads, highways, and bridges. The total change in the City of Allen Park's investment in capital assets for the current fiscal year was a 2.2 percent decrease for governmental activities and a 3.8 percent increase for business-type activities.

Major capital asset events during the current fiscal year included the following:

- Construction was completed on the new community center.
- Various building and system additions and improvements were completed in the Water and Sewer Authority at a cost of \$3,581,316.

The following information represents data about capital assets. More detailed information about capital assets can be found in Note 5 to the financial statements. Total depreciation expense for the year was \$4,084,435 for governmental activities and \$1,124,866 for business activities.

City of Allen Park's Capital Assets (Net of Depreciation)

	Governmental Activities	Business-Type Activities	2005 Total	2004 Total
Land	\$ 39,704,448	\$ -	\$ 39,704,448	\$ 39,894,223
Construction in Progress	-	-	-	570,165
Building & Site	7,820,780	40,052,199	47,872,979	39,648,671
Leasehold Imp.	36,113	-	36,113	42,132
Land Imp.	1,190,694	-	1,190,694	1,128,699
Furniture & Equipment	1,379,053	344,941	1,723,994	1,630,782
Vehicles	438,946	-	438,946	527,929
Infrastructure	46,554,032	-	46,554,032	49,657,634
Totals	\$ 97,124,066	\$ 40,397,140	137,521,206	138,231,235

During the fiscal year ended June 30, 2005, the long-term debt decreased. The following table presents information regarding the outstanding long-term debt:

	Governmental Activities	Business-Type Activities	2005 Total	2004 Total
General Obligation Bonds	\$ 6,475,000	\$ 1,950,000	\$ 8,425,000	8,475,000
Judgment Bonds	-	24,495,871	24,495,871	25,988,299
Note Payable	13,859	-	13,859	-
Compensated Absences	1,688,529	35,278	1,723,807	2,008,511
Totals	\$ 8,177,388	\$ 26,481,149	\$ 34,658,537	\$ 36,471,810

Economic Factors and Next Year's Budget

The City's budget for next year will continue to take on possible reductions in state-shared revenue, increasing health care costs and lack of significant growth in property tax revenue due to the impact of Proposal A and the Headlee Amendment. Thus, the City needs to continue to monitor the budget very closely. No local tax increase is expected in the future but city services will continue to be evaluated if the financial pressures continue.

Contacting the City's Management

This financial report is intended to provide citizens, taxpayers, customers and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. For additional questions about this report or additional information, requests should be directed to the City Administrator (313) 928-2473 or mail to 16850 Southfield Road, Allen Park, MI 48101.

City of Allen Park
Statement of Net Assets
June 30, 2005

	Governmental Activities	Business-type Activities	Total	Component Units
Assets				
Current Assets:				
Cash and Cash Equivalents	\$ 3,574,561	\$ 641,225	\$ 4,215,786	\$ 6,632,476
Receivables:				
Taxes (Net)	382,233	453,847	836,080	-
Accounts	96,579	637,284	733,863	265
Other	3,949	-	3,949	-
Due From Agency Funds	1,199	-	1,199	-
Due From Other Governments	65,272	115,305	180,577	-
Internal Balances, Governmental & Business-type	369,207	(369,207)	-	-
Inventory	-	82,807	82,807	165
Prepaid Expenditures	368,832	1,855,503	2,224,335	21,802
Restricted Cash and Cash Equivalents	-	927,824	927,824	-
Current Portion of Unamortized Issue Costs	3,250	1,500	4,750	-
Total Current Assets	4,865,082	4,346,088	9,211,170	6,654,708
Noncurrent Assets:				
Capital Assets Not Being Depreciated	39,704,448	-	39,704,448	775,700
Capital Assets Being Depreciated	148,705,396	51,765,160	200,470,556	8,471,127
Less Accumulated Depreciation	(91,285,778)	(11,368,020)	(102,653,798)	(3,473,620)
Unamortized Issue Costs	61,750	24,000	85,750	-
Total Noncurrent Assets	97,185,816	40,421,140	137,606,956	5,773,207
Total Assets	\$ 102,050,898	\$ 44,767,228	\$ 146,818,126	\$ 12,427,915
Liabilities And Net Assets				
Current Liabilities:				
Accounts Payable	\$ 744,850	\$ 689,397	\$ 1,434,247	\$ 80,774
Accrued Salaries Payable	182,774	-	182,774	-
Accrued Liabilities - Other	-	93,529	93,529	94,144
Deferred Revenue	-	1,708,369	1,708,369	-
Accrued Interest Payable	92,753	167,726	260,479	-
Escrow Funds and Deposit	178,967	-	178,967	-
Current Portion of Compensated Absences	310,615	3,528	314,143	-
Current Portion of Bonds Payable	50,000	1,582,611	1,632,611	420,000
Current Portion of Note Payable	2,926	-	2,926	-
Total Current Liabilities	1,562,885	4,245,160	5,808,045	594,918

The accompanying notes are an integral part of the financial statements.

	Governmental Activities	Business-type Activities	Total	Component Units
Noncurrent Liabilities:				
Compensated Absences, Net of Current Portion	1,688,529	31,750	1,720,279	-
Bonds Payable, Net of Current Portion	6,425,000	24,863,260	31,288,260	7,205,000
Note Payable, Net of Current Portion	10,933	-	10,933	-
Total Noncurrent Liabilities	8,124,462	24,895,010	33,019,472	7,205,000
Total Liabilities	9,687,347	29,140,170	38,827,517	7,799,918
Net Assets:				
Invested in Capital Assets Net of Related Debt	92,013,092	13,951,263	105,964,355	1,872,510
Contributed Capital	-	939,764	939,764	-
Restricted for:				
Sewer Basin	-	608,837	608,837	-
Debt Retirement	-	-	-	603,920
Unrestricted	350,459	127,194	477,653	2,151,567
Total Net Assets	\$ 92,363,551	\$ 15,627,058	\$ 107,990,609	\$ 4,627,997

The accompanying notes are an integral part of the financial statements.

City of Allen Park
Statement of Activities
Year Ended June 30, 2005

Net (Expense) Revenue and Changes in Net Assets

Functions/programs	Program Revenues			Primary Government			Component Units
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants and Contributions		Business-Type Activities	
				Governmental Activities	Total		
Governmental activities:							
General Government	\$ 7,391,201	\$ -	\$ 395,214	\$ 230,309	\$ (6,765,678)	-	\$ (6,765,678)
Public Safety	9,789,652	-	-	-	(9,789,652)	-	(9,789,652)
Highway and Streets	4,157,341	3,183,201	-	-	(974,140)	-	(974,140)
Sanitation	2,053,430	-	-	-	(2,053,430)	-	(2,053,430)
Recreation and Culture	2,044,645	-	50,000	-	(1,994,645)	-	(1,994,645)
Interest Expense	311,088	-	-	-	(311,088)	-	(311,088)
Unallocated Depreciation Expense	4,093,375	-	-	-	(4,093,375)	-	(4,093,375)
Total Governmental Activities	29,840,732	3,183,201	445,214	230,309	(25,982,008)	-	(25,982,008)
Business-type activity:							
Water and Sewer	6,712,310	5,466,236	-	-	-	(1,246,074)	(1,246,074)
Total Primary Government	\$ 36,553,042	\$ 8,649,437	\$ 445,214	\$ 230,309	\$ (25,982,008)	\$ (1,246,074)	\$ (27,228,082)
Component Units:							
Downtown Development Authority	812,525	-	-	-	-	-	(812,525)
Building Authority	96,218	-	-	-	-	-	(96,218)
Housing Commission	208,466	-	45,303	-	-	-	(163,163)
Total Component Units:	\$ 1,117,209	\$ -	\$ 45,303	\$ -	\$ -	\$ -	\$ (1,071,906)

The accompanying notes are an integral part of the financial statements.

Net (Expense) Revenue and Changes in Net Assets

Primary Government

	Governmental Activities	Business-Type Activities	Total	Component Units
General Revenues:				
Property taxes	\$ 12,835,628	\$ 1,749,068	\$ 14,584,696	\$ 1,153,978
State-Shared Revenues	6,036,546	-	6,036,546	-
Rentals	-	-	-	358,821
Investment Earnings	260,481	34,311	294,792	40,329
Miscellaneous	4,238,367	129,199	4,367,566	32,219
Special Item - Gain (Loss) on Sale of Capital Assets	889,759	-	889,759	(82,238)
Special Item - Bad Debt Personal Property Taxes	(201,099)	-	(201,099)	-
Transfers	189,460	-	189,460	(187,828)
Total General Revenues	24,249,142	1,912,578	26,161,720	1,315,281
Change in Net Assets	(1,732,866)	666,504	(1,066,362)	243,375
Net Assets - Beginning	94,096,417	14,960,554	109,056,971	4,384,622
Net Assets - Ending	\$ 92,363,551	\$ 15,627,058	\$ 107,990,609	\$ 4,627,997

The accompanying notes are an integral part of the financial statements.

City of Allen Park
Balance Sheet
Governmental Funds
June 30, 2005

	General Fund	Community Center Construction Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Assets:				
Cash & Cash Equivalents	\$ 1,756,564	\$ 135,397	\$ 1,682,600	\$ 3,574,561
Receivables:				
Taxes	314,693	-	2,612	317,305
Assessments		-	64,928	64,928
Other	100,528	-	-	100,528
Due From Other Funds	458,358	-	75,849	534,207
Due From Other Governments	65,272	-	-	65,272
Prepaid Expenses	368,832	-	-	368,832
Bond Discount	-	65,000	-	65,000
Total Assets	\$ 3,064,247	\$ 200,397	\$ 1,825,989	\$ 5,090,633
Liabilities and Fund Balances				
Liabilities:				
Accounts Payable	\$ 577,541	\$ 11,784	\$ 155,525	\$ 744,850
Accrued Payroll	182,774	-	-	182,774
Due To Other Funds	11,131	-	152,670	163,801
Compensated Absences Payable	310,615	-	-	310,615
Escrow Funds and Deposit	178,967	-	-	178,967
Total Liabilities	1,261,028	11,784	308,195	1,581,007
Fund Balances:				
Designated for Debt Service	-	-	18,522	18,522
Designated for Subsequent Years	416,445	-	277,138	693,583
Reserved for Prepaid Expenses	368,832	-	-	368,832
Unreserved, Undesignated	1,017,942	188,613	1,222,134	2,428,689
Total Fund Balances	1,803,219	188,613	1,517,794	3,509,626
Total Liabilities and Fund Balances	\$ 3,064,247	\$ 200,397	\$ 1,825,989	\$ 5,090,633
Total Governmental Fund Balances				\$ 3,509,626

The accompanying notes are an integral part of the financial statements.

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are financial resources and are not reported in the funds

The cost of capital assets is

\$ 188,409,844

Accumulated depreciation is

(91,285,778)

97,124,066

Long term liabilities are not due and payable in the current period and are not reported in the funds

Compensated absences and severance benefits

(1,688,529)

Long term obligations

(6,488,859)

Accrued interest payable is not included as a liability in governmental funds

(92,753)

Net assets of governmental activities

\$ 92,363,551

The accompanying notes are an integral part of the financial statements.

City of Allen Park
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
June 30, 2005

	General Fund	Community Center Construction Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 12,491,918	\$ -	\$ 343,710	\$ 12,835,628
Intergovernmental:				
State	4,228,406	-	1,808,140	6,036,546
Federal and State Grants	395,214	50,000	-	445,214
District Court	2,476,151	-	-	2,476,151
Local Sources	113,982	-	116,327	230,309
Fees	2,463,573	-	719,628	3,183,201
Interest Income	223,931	4,517	32,033	260,481
Other Revenue	1,470,621	-	291,595	1,762,216
Total Revenues	23,863,796	54,517	3,311,433	27,229,746
Expenditures:				
Current:				
Sanitation	2,053,430	-	-	2,053,430
General Government	7,596,381	51,924	560,530	8,208,835
Public Safety	10,252,892	-	-	10,252,892
Highway and Streets	1,869,158	-	1,901,011	3,770,169
Recreation and Culture	2,190,497	-	-	2,190,497
Debt Service:				
Principal retirements	1,236	-	25,000	26,236
Interest	1,644	-	297,662	299,306
Capital Outlay	-	1,253,018	248,361	1,501,379
Total Expenditures	23,965,238	1,304,942	3,032,564	28,302,744
Excess (Deficiency) of Revenues Over Expenditures	(101,442)	(1,250,425)	278,869	(1,072,998)
Other Financing Sources (Uses):				
Transfer In	1,632	-	410,893	412,525
Transfer Out	(223,065)	-	-	(223,065)
Proceeds From Sale of Fixed Assets	1,087,289	-	-	1,087,289
Financing Proceeds	15,095	-	-	15,095
Total Other Financing Sources (Uses):	880,951	-	410,893	1,291,844
Net Change in Fund Balances	779,509	(1,250,425)	689,762	218,846
Fund Balances				
Beginning of Year	1,023,710	1,439,038	828,032	3,290,780
End of Year	\$ 1,803,219	\$ 188,613	\$ 1,517,794	\$ 3,509,626

The accompanying notes are an integral part of the financial statements.

City of Allen Park
Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
Year Ended June 30, 2005

Net change in fund balances total governmental funds \$ 218,846

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation. Losses and gains on disposals of assets are not used in governmental funds.

Depreciation expense	(4,093,375)
Capital outlay	1,501,379
Gain on asset disposals	889,759
Proceeds from sale of assets	(1,087,289)

Accrued interest payable beginning of the year	80,971
Accrued interest payable end of the year	(92,753)
Amounts recorded as revenue in current year on fund statements not on statement of activities.	(3,870,363)
Amounts recorded as expenses in current year on fund statement not on statement of activities.	4,994,166

Allowance for uncollectible personal property tax beginning of the yr	21,499
Allowance for uncollectible personal property tax end of the yr	-

Compensated absences are reported on the accrual method in the statement of activities, and recorded as an expenditure when the financial resources are used in the governmental funds:

Accrued compensated absences beginning of the year	1,907,993
Accrued compensated absences end of the year	(1,999,144)

Proceeds from debt issues are in other financing sources in the funds, but a debt issue increases long-term liabilities in the Statement of Net Assets	(15,095)
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Transfers In	(412,525)
Transfers Out	223,065

Change in net assets of governmental activities	\$ (1,732,866)
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The accompanying notes are an integral part of the financial statements.

City of Allen Park
Proprietary Funds
Statement of Net Assets
June 30, 2005

Assets

Current Assets:

Cash and Cash Equivalents	\$	641,025	
Petty Cash		200	
Customers Accounts Receivable		637,284	
Due from Wayne County		115,305	
Tax Roll:			
Current	\$	445,444	
Delinquent		<u>8,403</u>	453,847
Inventory			82,807
Prepaid Bond Expense			1,855,503
Current Portion of Unamortized Issue Costs			<u>1,500</u>
Total Current Assets			\$ 3,787,471

Noncurrent Assets:

Restricted Cash and Cash Equivalents - basin/sewer account		927,824	
Capital Assets		51,765,160	
Less: Accumulated Depreciation		(11,368,020)	
Unamortized Issue Costs		<u>24,000</u>	
Total Noncurrent Assets			<u>41,348,964</u>
Total Assets			<u>\$ 45,136,435</u>

The accompanying notes are an integral part of the financial statements.

City of Allen Park
Proprietary Funds
Statement of Net Assets
June 30, 2005

Liabilities and Net Assets:

Current Liabilities:

Accounts Payable	\$ 689,397	
Accrued Interest Payable	167,726	
Other Payable	93,529	
Deferred Revenue	1,708,369	
Due to General Fund	369,207	
Compensated Absences Payable	3,528	
Current Portion of Bonds Payable SRF	1,532,611	
Current Portion of General Obligation Bonds Payable	<u>50,000</u>	
Total Current Liabilities		\$ 4,614,367

Long Term Liabilities:

Compensated Absences Payable	31,750	
Bonds Payable SRF	22,963,260	
General Obligation Bonds Payable	<u>1,900,000</u>	
Total Long Term Liabilities		<u>24,895,010</u>
Total Liabilities		<u>29,509,377</u>

Net Assets:

Invested in Capital Assets - Net of Related Debt		13,951,269
Contributed Capital-Sewer Grants		939,764
Restricted For:		
Reserve for Replacement - Basin/Sewer	608,837	
Unrestricted	<u>127,188</u>	
		<u>736,025</u>
Total Net Assets		<u><u>\$ 15,627,058</u></u>

The accompanying notes are an integral part of the financial statements.

City of Allen Park
Proprietary Funds
Statement of Revenues, Expenses and Changes in Net Assets
Year Ended June 30, 2005

	Water and Sewer Fund
Operating Revenues	
Water Sales	\$ 2,368,697
Sewage Disposal Services	2,867,692
Penalties	100,584
Miscellaneous	258,460
Total Operating Revenues	<u>5,595,434</u>
Operating Expenses	
Operating Costs	3,186,516
Personal Services	1,360,243
Utilities	75,854
Repairs and Maintenance	389,328
Other Supplies and Expenses	253,760
Depreciation	1,124,866
Total Operating Expenses	<u>6,390,567</u>
Operating Income (Loss)	<u>(795,133)</u>
Nonoperating Revenues (Expenses)	
Interest and Investment Revenue	34,311
Interest Expense	(321,742)
Consent Judgment - Sewers	1,749,068
Total Nonoperating Revenue (Expense)	<u>1,461,637</u>
Change in Net Assets	666,504
Total Net Assets - Beginning	<u>14,960,554</u>
Total Net Assets - Ending	<u><u>\$ 15,627,058</u></u>

The accompanying notes are an integral part of the financial statements.

City of Allen Park
Proprietary Funds
Statement of Cash Flows
For Fiscal Year Ended June 30, 2005

	Water and Sewer Fund
Cash Flows From Operating Activities:	
Receipts from Customers	\$ 5,236,389
Payments to Suppliers	(5,520,502)
Penalties Received	100,584
Net Cash Provided by Operating Activities	<u>(183,529)</u>
Cash Flows from Non-Capital Activities:	
Intergovernmental charges	(89,617)
Consent Judgment Revenue	1,749,068
Transfer from other funds	(14,334)
Miscellaneous Revenue	258,461
Net Cash Provided by Non-Capital Activities:	<u>1,903,578</u>
Cash Flows from Capital and Related Financing Activities:	
Prepaid Bond Expense	(20,675)
Principal and Interest Paid on Bonds	(1,526,689)
Purchase of Fixed Assets	(2,606,868)
Increase in Restricted Assets	256,658
Net Cash (Used) by Capital and Related Financing Activities	<u>(3,897,574)</u>
Cash Flows From Investing Activities:	
Investment Interest	34,311
Net Cash Provided by Investing Activities	<u>34,311</u>
Net Increase in Cash and Cash Equivalents	(2,143,214)
Beginning Cash and Equivalents, July 1, 2004	2,784,439
Ending Cash & Equivalents, June 30, 2005	<u>\$ 641,225</u>
Reconciliation of Operating Income to Net Cash Provided (Used)	
By Operating Activities:	
Operating Loss	\$ (1,285,719)
Adjustment to Reconcile Operating Income to Net Cash Provided	
By Operating Activities:	
Depreciation	1,124,866
Amortization of Bond Discount	3,000
Change in Assets and Liabilities:	
Accounts Receivable - Net	(64,310)
Tax Roll	(10,165)
Inventory	21,012
Accounts Payable	92,987
Compensated Absences Payable and Bonds Payable	(65,200)
Total Adjustments	<u>1,102,190</u>
Net Cash Provided by Operating Activities	<u>\$ (183,529)</u>

The accompanying notes are an integral part of the financial statements.

City of Allen Park
Fiduciary Funds -Statement of Net Assets
Year Ended June 30, 2005

	Pension Trust	Agency Funds
Assets		
Assets:		
Cash and Cash Equivalents	\$ 2,732	\$ 1,651
Accrued Interest and Dividends	364,470	-
Investments - at Fair Value		
U.S Government Obligations	16,302,913	-
Domestic Stocks	40,097,117	-
Mortgage Backed Securities	4,173,650	-
Bonds	10,259,203	-
Short-term Investments	4,180,390	-
Total Investments	<u>75,013,273</u>	<u>-</u>
Total Assets	<u><u>\$ 75,380,475</u></u>	<u><u>\$ 1,651</u></u>
 Liabilities and Net Assets		
Liabilities:		
Due to Other Funds	-	1,199
Payable to Other Gov. Agencies	-	452
Total Liabilities	<u>-</u>	<u><u>\$ 1,651</u></u>
 Net Assets:		
Held in Trust for Pension Benefits	<u>75,380,475</u>	
Total Net Assets	<u><u>\$ 75,380,475</u></u>	

The accompanying notes are an integral part of the financial statements.

City of Allen Park
Fiduciary Fund
Statement of Changes in Net Assets
For the Fiscal Year Ended June 30, 2005

		Pension Fund
Additions:		
Contributions Employer:		
Police & Fire	\$ 873,689	
General	493,594	
Water & Basin	138,589	
24th District Court	200,701	
Total Employer		\$ 1,706,573
Plan Members		676,488
Total Contributions		<u>2,383,061</u>
Investment Income:		
Net appreciation in Fair Value of Investments		110,744
Interest and Dividends		3,876,840
Miscellaneous		1,507
Gain on Sale of Investments		992,345.00
Total Investment Income		<u>4,981,436</u>
Less: Investment Expenses:		
Actuarial Services		12,510
Legal		3,124
Securities Lending Expenses:		
Agency Fee		101,286
Miscellaneous		6,086
Total Investment Expenses		<u>123,006</u>
Net Investment Income		<u>4,858,430</u>
Total Additions		7,241,491
Deductions:		
Benefits		3,780,892
Total Deductions		<u>3,780,892</u>
Change in Net Assets		3,460,599
Net Assets - Beginning		71,919,876
Net Assets - Ending		<u>\$ 75,380,475</u>

The accompanying notes are an integral part of the financial statements.

City of Allen Park
Component Units
Statement of Net Assets
June 30, 2005

	Downtown Development Authority	Building Authority	Housing Commission	Total Component Units
Assets:				
Current Assets:				
Cash and Cash Equivalents	\$ 5,988,208	\$ 344,886	\$ 299,382	\$ 6,632,476
Receivables Net	-	265	-	265
Construction in Progress	775,700	-	-	775,700
Inventories	-	-	165	165
Prepaid Expenditures	17,400	-	4,402	21,802
Capital Assets - Net	2,922,611	1,544,149	530,747	4,997,507
Total Assets	9,703,919	1,889,300	834,696	12,427,915
Liabilities:				
Accounts Payable	75,004	-	5,770	80,774
Accrued and Other Liabilities	66,978	3,115	24,051	94,144
Noncurrent Liabilities:				
Due Within One Year	310,000	110,000	-	420,000
Due in More Than One Year	6,200,000	1,005,000	-	7,205,000
Total Liabilities	6,651,982	1,118,115	29,821	7,799,918
Net Assets:				
Invested in Capital Assets - Net of Related Debt	912,612	429,149	530,749	1,872,510
Restricted for:				
Debt Service	315,192	288,728	-	603,920
Unrestricted	1,824,133	53,308	274,126	2,151,567
Total Net Assets	\$ 3,051,937	\$ 771,185	\$ 804,875	\$ 4,627,997

The accompanying notes are an integral part of the financial statements.

City of Allen Park
Component Units
Statement of Activities
Year Ended June 30, 2005

Functions/programs	Net (Expense) Revenue and Changes in Net Assets					
	Program Revenues			Downtown		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Development Authority	Housing Commission
Downtown Development Authority						
Governmental activities:						
General Government	\$ 454,617	\$ -	\$ -	\$ -	\$ (454,617)	\$ -
Interest & fiscal charges	113,634	-	-	-	(113,634)	-
Depreciation Expense	244,274	-	-	-	(244,274)	-
Total Downtown Development Authority	812,525	-	-	-	(812,525)	-
Building Authority	96,218	-	-	-	(96,218)	(96,218)
Housing Commission	208,466	-	45,303	-	-	(163,163)
Total Component Units	\$ 1,117,209	\$ -	\$ 45,303	\$ -	\$ (812,525)	\$ (163,163)
General Revenues:						
Property Taxes	\$ 1,153,978	\$ -	\$ -	\$ -	\$ -	\$ 1,153,978
Loss on Sale of Fixed Assets	(82,238)	-	-	-	-	(82,238)
Rental	9,090	190,000	159,731	159,731	159,731	358,821
Interest	28,775	9,593	1,961	1,961	1,961	40,329
Miscellaneous	32,219	-	-	-	-	32,219
Transfers	(187,828)	-	-	-	-	(187,828)
Total General Revenues:	953,996	199,593	161,692	161,692	1,315,281	1,315,281
Change in Net Assets	141,471	103,375	(1,471)	(1,471)	243,375	243,375
Net Assets-Beginning	2,910,466	667,810	806,346	806,346	4,384,622	4,384,622
Net Assets-End	\$ 3,051,937	\$ 771,185	\$ 804,875	\$ 804,875	\$ 4,627,997	\$ 4,627,997

The accompanying notes are an integral part of the financial statements.

CITY OF ALLEN PARK
Notes to the Financial Statements
June 30, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Allen Park conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to government units. The following is a summary of the significant accounting policies used by the City of Allen Park:

A. Reporting Entity

The City of Allen Park was incorporated under the laws of the State of Michigan and is governed by an elected seven-member council (Board). The accompanying financial statements present the government and its component units. As defined by GASB Statement No. 14, component units are entities for which the government is considered to be financially accountable. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government (see discussion below for description).

Blended Component Units

Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same or substantially the same as the City Council or the component unit provides services entirely to the City. Currently, the City has no blended component units.

Discretely Presented Component Units

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending. The City's discretely presented component units are presented below:

Component Unit: Allen Park Downtown Development Authority

Reporting: Special Revenue Fund

Brief Description:

Act 197 of the Public Acts of 1975 of the State of Michigan, commonly referred to as the Downtown Development Authority Act, was created in part to correct and prevent deterioration of business districts; to promote economic growth and revitalization; to encourage historic preservation; to authorize the acquisition and disposal of interests in real and personal property; to authorize the creation of the authority; to authorize the levy and collection of taxes, the issuance of bonds and the use of tax increment financing in the accomplishment of specific downtown development activities contained in locally-adopted development plans.

The Act seeks to attack problems of urban decline, strengthen existing areas and encourage new private developments in the downtown districts of Michigan communities. It seeks to accomplish this goal by providing communities with the necessary legal, monetary and organizational tools to revitalize downtown districts either through public-initiated projects or in concert with privately motivated development projects. The manner in which downtown development authorities chose to make use of these tools does, of course, depend on the problems and opportunities facing each particular downtown district and the development priorities sought by the community in the revitalization of its business area.

CITY OF ALLEN PARK
Notes to the Financial Statements
June 30, 2005
(Continued)

Component Unit: Allen Park Building Authority

Reporting: Special Revenue Fund

Brief Description:

The Allen Park Building Authority has constructed and funded, by use of bonding, the 24th District Court Building.

Complete financial statements of the Allen Park Building Authority can be obtained directly from their administrative office located at the following address:

Allen Park Building Authority
16850 Southfield Road
Allen Park, MI 48101

Component Unit: Allen Park Housing Commission

Reporting: Enterprise Fund

Brief Description:

The Allen Park Housing Commission was formed to develop senior citizens housing. A senior citizen apartment complex was developed on Champaign Street in Allen Park, Michigan. The complex is funded partially by the U.S. Department of Housing and Urban Development (HUD) and rental fees received from the tenants.

All the information obtained from the above discretely presented component units was derived from audited annual financial statements.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

CITY OF ALLEN PARK
Notes to the Financial Statements
June 30, 2005
(Continued)

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under full accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The financial transactions of the City are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements. The following fund types are used by the City.

1. Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the City:

- a. **General fund** is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.
- b. **Special revenue funds** are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.
- c. **Debt service funds** are used to account for the accumulation of funds for the periodic payment of principal and interest on general long-term debt.
- d. **Capital projects funds** are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by business-type/proprietary funds).

2. Proprietary Funds:

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the City:

CITY OF ALLEN PARK
Notes to the Financial Statements
June 30, 2005
(Continued)

Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) establishes fees and charges based on a pricing policy designed to recover similar costs.

3. Fiduciary Funds:

Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support City programs. The reporting focus is on net assets and changes in net assets and are reported using accounting principles similar to proprietary funds.

The emphasis in fund financial statements is on major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The City did not elect to add funds, as major funds, which either had debt outstanding or specific community focus. The nonmajor funds are combined in a column in the fund financial statements.

The City reports the following major governmental funds:

1. **General fund** – see above for description.
2. **Community Center Construction Fund** – Capital project fund that accounts for the receipt of bond proceeds and the expenditures related to the construction of an addition to the current community center.

The City reports the following major proprietary funds:

1. **Water and Sewer fund** – Accounts for activities associated with providing water and sewer services to the public.

Additionally, the City reports the following nonmajor funds:

Special Revenue Funds:

1. **Motor Vehicle Highway – Major fund** - Accounts for the revenues and expenditures related to the maintenance of major streets located in the City limits.
2. **Motor Vehicle Highway – Local fund** – Accounts for the revenues and expenditures related to the maintenance of the local streets located in the City limits.
3. **Sidewalk Fund** – Accounts for the revenue and expenditures related to the maintenance the City's sidewalks.

CITY OF ALLEN PARK
Notes to the Financial Statements
June 30, 2005
(Continued)

4. **Building Fund** – Accounts for the revenues and expenditures related to building inspections throughout the City.
5. **Drug Law Enforcement Fund** – Accounts for the revenue and expenditures for maintaining and enforcing laws related to drug use and prevention.

Debt Service Fund

1. **Community Center Debt Fund** – Accounts for the debt service related to the bonds issued for the construction of an addition to present community center.

The City reports the following Fiduciary funds:

1. **Pension Fund** – Accounts for the activities of the City's employees retirement system, which accumulates resources for pension benefit payments to qualified employees.
2. **Tax Collection Fund** – Accounts for the collection and distribution of real and personal property taxes that were levied during the fiscal year.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of GASB. The government has elected to also follow the private sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's water and sewer fund and various other functions of government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the City's proprietary fund relates to charges to customers for sales and services. The water and sewer fund also recognizes the portion of tap fees intended to recover current costs as operating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

D. Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less of the date acquired by the City.

The City reports its investments according to GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools" and GASB Statement No. 40 "Deposit and Investment Risk Disclosures". Under these standards, certain investments are stated at fair value based on quoted market prices; other investments are stated at cost or amortized cost, except for investments in the pension trust fund, which are reported at fair value.

CITY OF ALLEN PARK
Notes to the Financial Statements
June 30, 2005
(Continued)

Receivables and Payables – In general, outstanding balances between funds are reported as “due to/due from other funds”. Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “advances to/from other funds”.

Ad Valorem Taxes -All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Real and Property taxes are levied on each July 1st and December 1st on the taxable valuation of the city as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed. The City Charter limits the ad valorem tax rate for operating purposes to 12.5 mills of valuation. The ad valorem rate during the year was 10.59 mills.

Inventories and Prepaid items – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets – Certain proceeds of the enterprise fund revenues are set aside for purposes of funding the replacement water and sewer mains.

Capital Assets – Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. The government defines capital assets as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current year, there was no interest expense that was capitalized as part of the cost of assets under construction.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Buildings	40 years
Building and Site Improvements	20-30 years
Water and Sewer Lines	40-60 years
Roads and Other Infrastructures	40 years
Vehicles	5-10 years
Machinery & Equipment	5-20 years

Compensated Absences – It is the City’s policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Long-Term Obligations – In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

CITY OF ALLEN PARK
Notes to the Financial Statements
June 30, 2005
(Continued)

Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt services expenditures.

Fund Equity – In the fund financial statements, government funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

The City prepares its annual budget on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general, special revenue, debt service, and enterprise funds. All annual appropriations lapse at fiscal year end. Project-length financial plans are adopted for all capital projects funds.

All agencies of the government submit their requests for appropriation to the City Manager so that a budget may be prepared. The budget is prepared by fund, function, and department, and includes information on the past year, current year estimates and requested appropriations for the next fiscal year.

The proposed budget is presented to the City's council for review. The council holds public hearings and may add to, subtract from or change appropriations, but may not change the form of the budget. The government's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level. During the year, supplementary appropriations were necessary.

CITY OF ALLEN PARK
Notes to the Financial Statements
June 30, 2005
(Continued)

B. Excess of expenditures over appropriations

For the fiscal year ended June 30, 2005, expenditures exceeded appropriations in the following general fund accounts:

<u>Function</u>	<u>Amount by which expenditures exceeded Appropriations</u>
General Fund:	
Engineering	\$ 6,391
Administrator	37,182
Treasurer	11,112
City Hall	1,538
Police	3,683
Recreation	23,155
Library	6,657
Sanitation	73,960
Debt Service	2,880
Bad Debt-Personal Property Tax	201,099

NOTE 3 – DEPOSITS AND INVESTMENTS

Act 217, P.A. 1982, authorizes the City to deposit and invest in:

1. Bonds and other direct obligations of the United States or its agencies;
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of federally insured banks, insured savings and loan associations, or credit unions insured by the national credit union administration that are eligible to be depository of surplus money belonging to the State under Section 5 or 6 of Act 105, P.A. 1855, as amended (MCL 21.145 and 21.146);
3. Commercial paper rated at time of purchase within the three highest classifications established by not less than two standard rating services. Maturity cannot be more than 270 days after purchase and not more than 50 percent of any fund may be invested in commercial paper at any time;
4. United States government or Federal agency obligation repurchase agreements;
5. Banker's acceptance of United States banks;
6. Mutual funds composed of investments, which are legal for direct investments by local units of government in Michigan.

CITY OF ALLEN PARK
Notes to the Financial Statements
June 30, 2005
(Continued)

Cash is held in the name of the City in the general fund. These deposits are subject to custodial credit risk. This is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City minimizes custodial credit risk on deposits by assessing the credit worthiness of the individual institutions in which it deposits funds. The amount of deposits with each institution is assessed to determine the level of risk it may pose to the City in relation to deposits in excess of insured amounts. These assessments are performed by the City at least annually. At year end, the City's carrying amount of deposits for the general government, restricted and unrestricted, and its fiduciary funds were \$5,143,610 and \$4,383 respectively, of those amounts, \$100,000 was covered by federal depository insurance and \$5,047,993 was uninsured and uncollateralized.

The carry amount of deposits for the City's discretely presented component units, was \$6,632,476 and of those amounts, \$100,000 was covered by federal depository insurance and \$6,532,476 was uninsured and uncollateralized.

100% of the City's deposits are contained in entities that are within the State of Michigan or considered to be located in the State of Michigan.

NOTE 4 - RECEIVABLES

Receivables at June 30, 2005 consist of the following:

	<u>General</u>	<u>Enterprise</u>	<u>Total</u>
Receivables:			
Taxes (net)	\$ 382,233	\$ 453,847	\$ 836,080
Accounts	100,528	637,284	737,812
	<hr/>		
Total receivables	\$ 482,761	\$ 1,091,131	\$ 1,573,892
	<hr/>		

CITY OF ALLEN PARK
Notes to the Financial Statements
June 30, 2005
(Continued)

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the City for the current year was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Adjustments/ Reclassifications</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:					
Capital assets not being depreciated:					
Land	\$ 39,894,223	\$ -	\$ -	\$ (189,775)	\$ 39,704,448
Construction in Progress	5,500,252	1,129,398	-	(6,629,650)	-
Subtotal	45,394,475	1,129,398		(6,819,425)	39,704,448
Capital assets being depreciated:					
Buildings and site	7,314,193	6,734,693	-	-	14,048,886
Leasehold improvements	120,379	-	-	-	120,379
Land Improvements	1,777,905	132,464	-	-	1,910,369
Furniture & Equipment	4,968,379	475,333	36,413	(5,965)	5,474,160
Vehicles	2,998,552	247,692	(36,413)	(202,313)	3,007,518
Infrastructure	124,144,084	-	-	-	124,144,084
Subtotal	141,323,492	7,590,182	-	(208,278)	148,705,396
Total Governmental Activities	186,717,967	8,719,580	-	(7,027,703)	188,409,844
Less Accumulated depreciation for:					
Buildings and site	(5,957,981)	(270,125)	-	-	(6,228,106)
Leasehold improvements	(78,247)	(6,019)	-	-	(84,266)
Land improvements	(649,206)	(70,469)	-	-	(719,675)
Furniture & Equipment	(3,759,360)	(341,712)	-	5,965	(4,095,107)
Vehicles	(2,470,623)	(292,508)	-	194,559	(2,568,572)
Infrastructure	(74,486,450)	(3,103,602)	-	-	(77,590,052)
Subtotal	(87,401,867)	(4,084,435)	-	200,524	(91,285,778)
Net capital assets being depreciated	53,921,625	3,505,747	-	(7,754)	57,419,618
Capital assets-net of depreciation	\$ 99,316,100	\$ 4,635,145	\$ -	\$ (6,827,179)	\$ 97,124,066

CITY OF ALLEN PARK
Notes to the Financial Statements
June 30, 2005
(Continued)

Capital Asset activity for Component Units was as follows:

Downtown Development Authority

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 64,715	\$ -	\$ -	\$ 64,715
Subtotal	64,715	-	-	64,715
Capital assets being depreciated:				
Buildings	772,021	-	(561,500)	210,521
Furniture & Equipment	17,816	-	-	17,816
Site Improvement	4,472,120	130,408	(29,139)	4,573,389
Vehicles	15,711	-	(15,711)	-
Subtotal	5,277,668	130,408	(606,350)	4,801,726
Total Governmental Activities	5,342,383	130,408	(606,350)	4,866,441
Less Accumulated depreciation for:				
Buildings	144,318	12,486	(89,676)	67,128
Furniture & Equipment	9,631	3,563	-	13,194
Site Improvement	1,640,068	225,868	(2,428)	1,863,508
Vehicles	9,426	2,356	(11,782)	-
Subtotal	1,803,443	244,273	(103,886)	1,943,830
Net capital assets being depreciated	3,474,225	(113,865)	(502,464)	2,857,896
Capital assets-net of depreciation	\$ 3,538,940	\$ (113,865)	\$ (502,464)	\$ 2,922,611

CITY OF ALLEN PARK
Notes to the Financial Statements
June 30, 2005
(Continued)

Allen Park Building Authority:

	<u>Beginning</u> <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balance</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 100,000	\$ -	\$ -	\$ 100,000
Subtotal	100,000	-	-	100,000
Capital assets being depreciated:				
Buildings	2,029,861	-	-	2,029,861
Furniture & Equipment	170,029	-	-	170,029
Subtotal	2,199,890	-	-	2,199,890
Total Governmental Activities	2,299,890	-	-	2,299,890
Less Accumulated depreciation for:				
Buildings	529,966	55,746	-	585,712
Furniture & Equipment	170,029	-	-	170,029
Subtotal	699,995	55,746	-	755,741
Net capital assets being depreciated	1,499,895	(55,746)	-	1,444,149
Capital assets-net of depreciation	\$ 1,599,895	\$ (55,746)	\$ -	\$ 1,544,149

CITY OF ALLEN PARK
Notes to the Financial Statements
June 30, 2005
(Continued)

Allen Park Housing Authority:

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Reclassifications</u>	<u>Decreases</u>	Ending <u>Balance</u>
Governmental Activities:					
Capital assets not being depreciated:					
Land	\$ 68,050	\$ -	\$ -	\$ -	\$ 68,050
Subtotal	68,050	-	-	-	68,050
Capital assets being depreciated:					
Buildings	1,015,683	-	(221,079)	(1,315)	793,289
Building Improvements	-	168,475	174,413	-	342,888
Furniture & Equipment	81,830	-	(2,418)	(61,259)	18,153
Land Improvements	2,601	-	(2,601)	-	-
Computers & Machinery	20,012	10,719	51,685	-	82,416
Subtotal	1,120,126	179,194	-	(62,574)	1,236,746
Total Governmental Activities	1,188,176	179,194		(62,574)	1,304,796
Less Accumulated depreciation for:					
Buildings	761,130	17,801	(78,960)	(66,895)	633,076
Building Improvements	-	13,596	78,960	-	92,556
Furniture & Equipment	65,947	1,747	(17,276)	(40,904)	9,514
Land Improvements	260	-	-	(260)	-
Computers & Machinery	13,672	7,955	17,276	-	38,903
Subtotal	841,009	41,099	-	(108,059)	774,049
Net capital assets being depreciated	279,117	138,095	-	45,485	462,697
Capital assets-net of depreciation	\$ 347,167	\$ 138,095	\$ -	\$ 45,485	\$ 530,747

CITY OF ALLEN PARK
Notes to the Financial Statements
June 30, 2005
(Continued)

Business-Type Activities

	Beginning <u>Balance</u>	<u>Additions</u>	Reclassifications and <u>Deletions</u>	Ending <u>Balance</u>
Governmental Activities:				
Capital assets not being depreciated:				
Construction in Progress	\$ 200,913	\$ -	\$ (200,913)	\$ -
Subtotal	200,913	-	(200,913)	-
Capital assets being depreciated:				
Buildings	2,090,856	-	(806,733)	1,284,123
Site Improvements	45,336,932	3,581,316	-	48,918,248
Meter Installation	217,600	-	-	217,600
Machinery & Equipment	1,311,988	33,201	-	1,345,189
Subtotal	48,957,376	3,614,517	(806,733)	51,765,160
Total Governmental Activities	49,158,289	3,614,517	(1,007,646)	51,765,160
Less Accumulated depreciation for:				
Buildings	(571,058)	(61,490)	-	(632,548)
Site Improvements	(8,564,271)	(953,353)	-	(9,517,624)
Meter Installation	(202,220)	(3,267)	-	(205,487)
Machinery & Equipment	(905,605)	(106,756)	-	(1,012,361)
Subtotal	(10,243,154)	(1,124,866)	-	(11,368,020)
Net capital assets being depreciated	38,714,222	2,489,651	(806,733)	40,397,140
Capital assets-net of depreciation	\$ 38,915,135	\$ 2,489,651	\$ (1,007,646)	\$ 40,397,140
Business-type activities:				
Water			\$ 1,028,563	
Sewer			96,303	
Total business-type activities depreciation expense			\$ 1,124,866	

In Business-Type activities, the following estimated useful lives are used to compute depreciation:

Mains	50 Years
Equipment	5-10 Years
Vehicles	4 Years
Hydrants	50 Years

CITY OF ALLEN PARK
Notes to the Financial Statements
June 30, 2005
(Continued)

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of inter-fund balances is as follows:

Due To/From Other Funds

<u>Receivable Fund</u>		<u>Payable Fund</u>	<u>Amount</u>
General Fund	\$ 458,358	MVH-Major Fund	\$ 21,345
		MVH-Local Fund	61,674
		Building Fund	4,933
		Water & Sewer Fund	369,207
		School & County Tax Fund	1,199
MVH - Local Fund	64,718	MVH-Major Fund	64,718
Sidewalk Fund	11,131	General Fund	11,131
Total	<u>\$ 534,207</u>		<u>\$ 534,207</u>

Advances From/To Other Funds

<u>Receivable Fund</u>		<u>Payable Fund</u>	<u>Amount</u>
General Fund	\$ 1,632	Payroll	\$ 1,632
Motor Vehicle Hwy - Local	739,726	Motor Veh. Hwy - Major	328,833
		D.D.A.	187,828
		General Fund	223,065
			<u>739,726</u>
Component Unit			
D.D.A. Bond Debt Retirement	331,326	D.D.A Construction Fund	11,326
		D.D.A. Operating Fund	320,000
			<u>331,326</u>
Total	<u>\$ 1,072,684</u>		<u>\$ 1,072,684</u>

CITY OF ALLEN PARK
Notes to the Financial Statements
June 30, 2005
(Continued)

NOTE 7 - LONG-TERM DEBT

General Obligation Bonds. The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both general government and proprietary activities. These bonds therefore are reported in the proprietary funds if they are expected to be repaid from proprietary revenues. In addition, general obligation bonds have been issued to refund both general obligations and revenue bonds.

General obligations bonds are direct obligations and pledge the full faith and credit of the City. These bonds generally are issued as 25-year serial bonds, except for refunding issues, with equal amounts of principal maturing each year. Judgment bonds are bonds issued to finance an amount to be paid or collected by the City as the result of a court decision. General obligations bonds and judgment bonds currently outstanding are as follows:

<u>Description</u>	<u>% Interest Rate</u>	<u>Amount Outstanding June 30, 2005</u>
Governmental Activities		
General obligation Bonds		
2003 Community Center bonds	3.0 – 5.0	\$ 6,475,000
Compensated Absences		1,688,529
Note Payable		<u>13,859</u>
Total Governmental Activities		\$ 8,177,388
Business-Type Activities		
General obligation Bonds		
2002 Limited tax construction bonds	3.8 – 4.7	\$ 1,950,000
Compensated Absences		35,278
Judgment Bonds		
1999 Series A (Refunded)	4.8 – 5.1	2,281,751
1999 Series B	2.0 – 2.5	1,253,847
SRF Bonds, Projects 1 - 14		<u>20,960,273</u>
Total Business-Type Activities		\$ 26,481,149

CITY OF ALLEN PARK
Notes to the Financial Statements
June 30, 2005
(Continued)

Annual debt service requirements to maturity for the above obligations are as follows:

Fiscal Year Ending June 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2006	\$ 50,000	\$ 296,163	\$ 1,620,818	\$ 704,825
2007	75,000	293,537	1,638,950	661,388
2008	100,000	290,163	1,690,546	616,546
2009	100,000	286,413	1,751,476	570,079
2010	100,000	282,663	1,797,171	521,089
2011-2015	650,000	1,341,062	9,597,118	1,805,866
2016-2020	950,000	1,180,812	7,350,416	610,330
2021-2025	1,225,000	946,944	999,376	34,754
2026-2030	1,600,000	611,113		
2031-2034	1,625,000	170,625		
Totals	\$ 6,475,000	\$ 5,699,495	\$ 26,445,871	\$ 5,524,877

Changes in long-term liabilities

Long-term liability activity for the fiscal year ended June 30, 2005 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
General Obligation Bonds	\$ 6,500,000	\$ -	\$ (25,000)	\$ 6,475,000	\$ 50,000
Note Payable	-	15,095	(1,236)	13,859	2,926
Compensated Absences	1,907,993	16,669	(236,133)	1,688,529	310,615
Total governmental activity long-term liabilities	\$ 8,407,993	\$ 31,764	\$ (262,369)	\$ 8,177,388	\$ 363,541
Business-type activities:					
Bonds payable:					
General obligation Bonds	\$ 1,975,000	\$ -	\$ (25,000)	\$ 1,950,000	\$ 50,000
Judgment Bonds	25,988,299	-	(1,492,427)	24,495,871	1,532,611
Compensated Absences	100,518	-	(65,240)	35,278	3,528
Total business-type activity long-term liabilities	\$ 28,063,817	\$ -	\$ (1,582,667)	\$ 26,481,149	\$ 1,586,139

CITY OF ALLEN PARK
Notes to the Financial Statements
June 30, 2005
(Continued)

Component Unit Long Term Debt:

Downtown Development Authority

2003 Refunding Bonds

\$2,010,000

Annual debt service requirements to maturity for general obligation bonds of the Downtown Development Authority are as follows:

	Principal		Interest
\$	210,000	\$	59,352
	215,000		55,103
	215,000		50,265
	215,000		44,621
	220,000		38,090
	935,000		71,617
\$	2,010,000	\$	319,048

2005 Downtown Development Bonds

\$4,500,000

Fiscal Year Ending June 30	Principal	Interest
2006	\$ 100,000	\$ 177,280
2007	100,000	174,280
2008	100,000	171,280
2009	110,000	168,280
2010	120,000	164,705
2011-2015	795,000	756,037
2016-2020	1,400,000	555,360
2021-2025	1,775,000	237,115
Totals:	\$ 4,500,000	\$ 2,404,337

CITY OF ALLEN PARK
Notes to the Financial Statements
June 30, 2005
(Continued)

The Allen Park Building Authority

Revenue Bonds: The government also issues bonds where the government pledges income derived from the acquired or constructed assets to pay debt service. Revenue bonds outstanding at June 30, 2005 are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
2003 Building Authority Refunding Bonds	3 – 3.8 %	<u>\$ 1,115,000</u>

Revenue bond debt service requirements to maturity are as follows:

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>
<u>June 30</u>		
2006	\$ 110,000	\$ 37,383
2007	110,000	34,082
2008	115,000	30,783
2009	120,000	27,333
2010	125,000	23,733
2011-2014	535,000	50,175
<u>Totals</u>	<u>\$ 1,115,000</u>	<u>\$ 203,489</u>

Changes in long-term liabilities – Component Units

Long-term liability activity, by component unit, for the fiscal year ended June 30, 2005, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Downtown Development Auth.					
Bonds payable:					
General obligation Bonds	\$ 2,215,000	\$ 4,500,000	\$ (205,000)	\$ 6,510,000	\$ 310,000
Notes payable	-	-	-	-	-
Total Downtown Development Auth. liabilities	<u>\$ 2,215,000</u>	<u>\$ 4,500,000</u>	<u>\$ (205,000)</u>	<u>\$ 6,510,000</u>	<u>\$ 310,000</u>
Allen Park Building Authority					
Bonds payable:					
Revenue Bonds	\$ 1,225,000	\$ -	\$ (110,000)	\$ 1,115,000	\$ 110,000
Total Allen Park Building Authority liabilities	<u>\$ 1,225,000</u>	<u>\$ -</u>	<u>\$ (110,000)</u>	<u>\$ 1,115,000</u>	<u>\$ 110,000</u>

CITY OF ALLEN PARK
Notes to the Financial Statements
June 30, 2005
(Continued)

NOTE 9 – JOINTLY GOVERNED ORGANIZATION

The City of Allen Park in conjunction with the City of Melvindale governs the 24th District Court. The two cities are referred to as District Control Units (DCU's). The Court receives its operating revenue mainly from fines and fees. Based on a joint agreement the City of Allen Park receives 2/3 of the revenue received by the Court through fines and fees and the City of Melvindale receives 1/3. The Allen Park City Council and the Melvindale City Council approve the Court's annual budget each year and contribute to the Court monthly a share of the annual budget based on the same ratio that revenues are distributed by the Court to the DCU's. A copy of the 24th District Court's separate financial statements can be obtained at 16850 Southfield Road, Allen Park, Michigan. Financial segment information as of and for the year ended June 30, 2005 is presented below.

Total Assets	\$ 947,280
Total Liabilities	252,181
Total Net Assets	695,009
Total Revenue	3,079,323
Total Expenditures	3,212,147
Change in Net Deficit	(132,824)
Total Outstanding Long-Term Debt	\$ 130,677

NOTE 10 – POST-EMPLOYEE HEALTH CARE BENEFITS

In addition to providing pension benefits, the government provides certain insurance benefits for retired employees. Substantially all of the government's employees may become eligible for those benefits if they reach normal retirement age while working for the government. The cost of retiree insurance benefits is recognized as expenditure as claims are paid. This plan is self-funded. The total expenditure for the year ended June 30, 2005 was approximately \$ 1,919,060.

NOTE 11 – EMPLOYEE RETIREMENT SYSTEM

PLAN DESCRIPTION, CONTRIBUTION INFORMATION AND FUNDING POLICIES

The City participates in a multiple-employer public employee retirement system. Assets are held separately and may be used only for the payment of benefits to the members of the plan.

CITY OF ALLEN PARK
Notes to the Financial Statements
June 30, 2005
(Continued)

The following is a summary of funding policies, contribution methods and benefit provisions:

	<u>Retirement System</u>	
Year established and Governing authority	1949; City Council Ordinance	
Determination of contribution Requirement	On the basis of the December 31, 2004 actuarial valuation, the employer rates were determined to be as follows:	
	<u>Contributions for</u>	<u>Percents of Active Member Payroll</u>
	Normal cost (Weighted Average)	15.74%
	Accrued Liabilities (full funding credit)	<u>0.59%</u>
	Total Employer Rate	<u>16.33 %</u>
Employer:		
<u>City of Allen Park</u>		
General	13.28% of covered payroll	
Police-Fire	17.86% of covered payroll	
Water	13.28% of covered payroll	
<u>24th District Court</u>		
Court	13.28% of covered payroll	
Plan Members contributions:	6.00% of covered payroll	
Funding of Administrative costs	Investment earnings	
Period required to vest	10 years	
Eligibility for distribution		
General, Water & Court	Age 54 with 10 or more years of service. Effective 6-30-05, age is reduced to 53.	
Police-Fire	Age 52 with 10 or more years of service	
Provisions for:		
Disability benefits	Yes	
Death benefits	Yes	
Memberships of the plan are as follows:		
Non-vested active members	92	
Fully vested active members	93	
Retirees and beneficiaries currently receiving benefits	<u>150</u>	
Total	<u>335</u>	

CITY OF ALLEN PARK
Notes to the Financial Statements
June 30, 2005
(Continued)

Annual Required Contributions

Actuarial assumptions and other information used to determine the annual required contribution (ARC) are located in the schedules that are at the conclusion of this note.

Reserves

There are no assets legally reserved for purposes other than the payment of plan member benefits. The plan held no individual investment (other than U.S. Government and U.S. Government guaranteed obligations) whose market value exceeds five percent or more of net assets available for benefits. There are no long-term contracts for contributions.

Funding Status and Progress

The amount shown below as the "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The measure is the actuarial present value of credited projected benefits and is intended to (i) help users assess the plan's funding status on a going-concern basis, (ii) assess progress being made in accumulating sufficient assets to pay benefits when due, and (iii) allow for comparisons among public employee retirement plans. The measure is independent of the actuarial funding method used to determine contributions to the plan.

The pension benefit obligation was determined as part of an actuarial valuation of the plan as of December 31, 2004. Significant actuarial assumptions used in determining the pension benefit obligation include (a) a rate of return on the investment of present and future assets of 7.5% per year compounded annually, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0.7% to 3.8% per year, depending on age, attributable to seniority/merit, and (d) the assumption that benefits will not increase after retirement.

Contribution Required and Contributions Made:

The city's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and actuarial accrued liability are determined using an entry age actuarial funding method. Unfunded actuarial accrued liabilities are being amortized as a level percent of payroll over a period of 20 years.

CITY OF ALLEN PARK
Notes to the Financial Statements
June 30, 2005
(Continued)

Schedule of Funding Progress (Dollar amounts in millions)

Actuarial Valuation 12/31	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll [(b-a)]/(c)
1993	\$ 31.4	\$ 33.8	\$ 2.4	92.9%	\$ 6.7	35.8%
1994*	35.0	35.7	0.7	98.0	6.9	10.1
1995*	39.7	39.7	0.0	100.0	7.2	-
1996*	44.8	42.2	(2.6)	106.2	7.5	-
1997*	49.5	45.7	(3.8)	108.3	8.5	-
1998*	56.2	48.7	(7.5)	115.4	9.0	-
1999*	62.3	54.6	(7.7)	114.1	9.3	-
2000	67.9	58.8	(9.1)	115.5	10.4	-
2001	71.9	62.9	(8.9)	114.3	10.8	-
2002	72.4	68.1	(4.3)	106.3	10.8	-
2003	73.5	73.4	(.1)	100.1	10.5	-
2004	76.1	76.8	0.7	99.1	11.0	6.4

*Retirement system benefits amended.

Schedule of Employer Pension Contributions:

Year ended December 31	Annual Recommended Contributions*	Actual Contributions	Percent Contributed
1995	937,489	937,643	100.0
1996	796,484	759,774	95.4
1997	843,241	824,087	97.7
1998	757,885	750,645	99.0
1999	799,998	783,153	97.9
2000	684,860	666,474	97.3
2001	879,415	848,414	96.5
2002	943,884	907,141	96.1
2003	883,031	872,008	98.8
2004	1,322,068	1,288,684	97.5
2005**	1,721,588 #	859,422	49.9
2006	1,846,188#	N/A	N/A

* Based on valuation payroll at the end of the year. Actual contributions may be based on pay paid throughout the year.

Based on total payroll including DROP participants.

**Partial contribution made during 2004. Additional contributions expected to be made during 2005.

CITY OF ALLEN PARK
Notes to the Financial Statements
June 30, 2005
(Continued)

Summary of Actuarial Methods of Assumptions:

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	December 31, 2004
Actuarial cost method	Entry Age
Amortization method	Level percent
Remaining amortization period	15 years
Asset valuation method	4-year smoothed market
Actuarial assumptions:	
Investment rate of return	7.5%
Projected salary increases*	4.5%-8.3%
Cost-of-living adjustments	N/A
Payroll growth	4.5%
Group Size Growth	0%

* Includes inflation at 4.5%

NOTE 12 – RISK MANAGEMENT

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation), as well as medical benefits provided to employees. The City has purchased commercial insurance for medical benefits claims, participates in the Michigan Municipal League risk pool for claims relating to workers' compensation and the Michigan Municipal Risk Management Authority state risk pool for property loss, torts, errors and omissions. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage carried by the City while a participant of the Michigan Municipal Liability and Property Pool.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

The Michigan Municipal Risk Management Authority risk pool program operates as a claims servicing pool for amounts up to member retention limits, and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the Authority, and the Authority pays claims up to the retention limits, the ultimate liability for those claims remains with the City.

NOTE 13 – CONTINGENT LIABILITIES

The class action lawsuit filed in 2001 for sewer back up has been settled and covered by the insurance carrier to the extent of the Policy.

The city has one remaining suit with a roads contractor that legal counsel indicates is of nuisance value.

REQUIRED SUPPLEMENTAL INFORMATION

City of Allen Park
General Fund
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual - 1
July 1, 2004 to June 30, 2005

Account	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
Tax Collections:				
Current	\$ 12,220,295	\$ 12,375,295	\$ 12,491,918	\$ 116,623
Payment in Lieu of Taxes	13,000	13,000	-	(13,000)
Total Tax	12,233,295	12,388,295	12,491,918	103,623
State of Michigan:				
Highway Fund	1,800,000	1,800,000	1,297,116	(502,884)
Liquor License Fee	1,000	1,000	2,000	1,000
Liquor Tax	15,000	15,000	14,826	(174)
Sales Tax	2,835,310	2,975,310	2,914,464	(60,846)
Total State	4,651,310	4,791,310	4,228,406	(562,904)
Other Revenue:				
Federal Grant	150,000	225,000	310,889	85,889
State Grant	12,000	12,000	84,315	72,315
District Court	2,488,000	2,475,000	2,476,151	1,151
Local	20,000	20,000	14,200	(5,800)
Fees	1,200,000	1,590,000	1,596,786	6,786
Charges for Services	1,182,000	1,302,000	1,403,503	101,503
Interest	80,000	210,000	223,931	13,931
Miscellaneous	520,000	520,000	1,033,697	513,697
Total Other Revenue	5,652,000	6,354,000	7,143,472	789,472
Total Revenue	\$ 22,536,605	\$ 23,533,605	\$ 23,863,796	\$ 330,191

City of Allen Park
General Fund
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual - 2
July 1, 2004 to June 30, 2005

Activity	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
Mayor & Council	\$ 82,660	\$ 77,660	\$ 76,950	\$ 710
District Court	1,800,000	1,823,040	1,823,040	-
Assessor	294,910	294,910	276,593	18,317
Personnel	395,735	375,735	367,549	8,186
Finance	339,875	275,875	262,592	13,283
Engineering	18,580	568,580	574,971	(6,391)
City Clerk	311,600	280,600	267,505	13,095
Administrator	1,094,370	1,204,370	1,241,552	(37,182)
Treasurer	246,450	230,450	241,562	(11,112)
City Hall	272,370	342,370	343,908	(1,538)
Police	6,162,150	6,387,150	6,390,833	(3,683)
Fire	3,773,825	3,873,825	3,862,059	11,766
Public Service	2,102,970	1,922,970	1,869,158	53,812
Recreation	1,477,955	1,700,955	1,724,110	(23,155)
Library	459,730	459,730	466,387	(6,657)
Sanitation	1,964,470	1,979,470	2,053,430	(73,960)
Insurance	2,175,000	1,995,000	1,919,060	75,940
Debt Service	-	-	2,880	(2,880)
Bad Debt - Personal Property Tax	-	-	201,099	(201,099)
Contingencies	100,000	-	-	-
Total Expenditures	23,072,650	23,792,690	23,965,238	(172,548)
Excess of Revenues Over (Under) Expenditures	(536,045)	(259,085)	(101,442)	157,643
Other Financing Sources (Uses)				
Transfer In - Payroll	-	-	1,632	1,632
Financing Proceeds	-	-	15,095	15,095
Sale of Fixed Assets	5,000	905,000	1,087,289	182,289
Transfer to MVH - Local	(223,065)	(223,065)	(223,065)	-
Total Other Financing Sources (Uses)	(218,065)	681,935	880,951	199,016
Net Change in Fund Balances	(754,110)	422,850	779,509	356,659
Fund Balance - July 1, 2004	1,301,585	1,023,710	1,023,710	-
Fund Balance - June 30, 2005	\$ 547,475	\$ 1,446,560	\$ 1,803,219	\$ 356,659

ADDITIONAL INFORMATION

City of Allen Park
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2005

	Special Revenue Funds					Debt Service Fund	Total Nonmajor Governmental Funds
	Major Highway Fund	Local Highway Fund	Sidewalk Fund	Building Fund	Drug Law Enforcement Fund	Community Center Debt Fund	
Assets							
Assets:							
Cash and Equivalents	\$ 810,903	\$ 93,020	\$ 28,336	\$ 272,551	\$ 454,805	\$ 22,985	\$ 1,682,600
Receivables:							
Assessments	-	-	64,928	-	-	-	64,928
Taxes	-	-	2,612	-	-	-	2,612
Due From Other Funds	-	64,718	11,131	-	-	-	75,849
Total Assets	\$ 810,903	\$ 157,738	\$ 107,007	\$ 272,551	\$ 454,805	\$ 22,985	\$ 1,825,989
Liabilities and Fund Balances							
Liabilities:							
Accounts Payable	\$ 21,863	\$ 2,196	\$ 76,071	\$ 11,110	\$ 44,285	\$ -	\$ 155,525
Due to Other Funds	86,063	61,674	-	4,933	-	-	152,670
Total Liabilities	107,926	63,870	76,071	16,043	44,285	-	308,195
Fund Balances:							
Designated for Debt Service	-	-	-	-	-	18,522	18,522
Designated for Subsequent Years	187,385	-	-	85,290	-	4,463	277,138
Unreserved, Undesignated	515,592	93,868	30,936	171,218	410,520	-	1,222,134
Total Fund Balances	702,977	93,868	30,936	256,508	410,520	22,985	1,517,794
Total Liabilities and Fund Balances	\$ 810,903	\$ 157,738	\$ 107,007	\$ 272,551	\$ 454,805	\$ 22,985	\$ 1,825,989

City of Allen Park
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
June 30, 2005

	Special Revenue Funds					Debt Service Fund	Total Nonmajor Governmental Funds
	Major Highway Fund	Local Highway Fund	Sidewalk Fund	Building Fund	Drug Law Enforcement Fund	Community Center Debt Fund	
Revenues:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 343,710	\$ 343,710
Intergovernmental:							
State	1,325,554	482,586	-	-	-	-	1,808,140
Fees	-	-	-	719,628	-	-	719,628
Interest Income	13,966	3,005	1,232	2,247	9,659	1,924	32,033
Local Sources	-	16,090	81,544	7,775	10,905	13	116,327
Forfeited Monies	-	-	-	-	291,595	-	291,595
Total Revenues	1,339,520	501,681	82,776	729,650	312,159	345,647	3,311,433
Expenditures:							
Current:							
General Government	-	-	77,138	473,142	10,250	-	560,530
Highway and Streets	710,540	1,190,471	-	-	-	-	1,901,011
Debt Service:							
Principal retirements	-	-	-	-	-	25,000	25,000
Interest	-	-	-	-	-	297,662	297,662
Capital Outlay	-	-	-	-	248,361	-	248,361
Total Expenditures	710,540	1,190,471	77,138	473,142	258,611	322,662	3,032,564

	Special Revenue Funds					Debt Service Fund		Total Nonmajor Governmental Funds
	Major Highway Fund	Local Highway Fund	Sidewalk Fund	Building Fund	Drug Law Enforcement Fund	Community Center Debt Fund		
Excess (Deficiency) of Revenues Over Expenditures	628,980	(688,790)	5,638	256,508	53,548	22,985		278,869
Other Financing Sources (Uses)								
Transfer In	-	739,726	-	-	-	-		739,726
Transfer Out	(328,833)	-	-	-	-	-		(328,833)
Total Other Financing Sources (Uses)	(328,833)	739,726	-	-	-	-		410,893
Excess of Revenue and Other Sources Over (Under) Expenditures and Other Uses	300,147	50,936	5,638	256,508	53,548	22,985		689,762
Fund Balances Beginning of Year	402,830	42,932	25,298	-	356,972	-		828,032
End of Year	\$ 702,977	\$ 93,868	\$ 30,936	\$ 256,508	\$ 410,520	\$ 22,985	\$	1,517,794

City of Allen Park
Motor Vehicle Highway Fund-Major
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual - 1
July 1, 2004 to June 30, 2005

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
State of Michigan	\$ 1,315,012	\$ 1,315,012	\$ 1,325,554	\$ 10,542
Local Sources	-	-	-	-
Interest Income	5,000	5,000	13,966	8,966
Total Revenues	1,320,012	1,320,012	1,339,520	19,508
Expenditures				
Construction:				
Traffic Signals	-	-	-	-
Entrance Signs	-	-	-	-
Maintenance:				
Surface	30,000	30,000	21,089	8,911
Special Street Repair	20,000	20,000	31,671	(11,671)
Sweeping	80,000	80,000	71,880	8,120
Trees & Shrubs	100,000	100,000	79,647	20,353
Roadside Clean-up	-	-	10,423	(10,423)
Grass & Weeds	35,000	35,000	29,845	5,155
Traffic Signs & Signals	40,000	40,000	44,421	(4,421)
Pavement Marking	7,000	7,000	-	7,000
Winter Maintenance	40,000	40,000	61,123	(21,123)
Employee Fringe Benefits:				
Routine Maintenance	80,000	80,000	59,875	20,125
Traffic Signals	12,000	12,000	10,325	1,675
Winter Maintenance	6,000	6,000	10,855	(4,855)
Roadside Parks:				
Maintenance	24,000	24,000	22,783	1,217
Fringe Benefits	10,000	10,000	11,976	(1,976)
Administration:				
Salaries	8,000	8,000	6,411	1,589
Fringe Benefits	3,000	3,000	2,892	108
Legal & Audit	1,000	1,000	1,000	-
Engineering	30,000	30,000	-	30,000

City of Allen Park
Motor Vehicle Highway Fund-Major
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual - 2
July 1, 2004 to June 30, 2005

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Expenditures (Cont'd)				
Other State Highway Construction:				
Southfield Grant	54,000	54,000	31,969	22,031
M-39 Misc. Projects	-	-	50,651	(50,651)
I-94 Misc. Projects	75,000	75,000	103,811	(28,811)
Outer Drive	59,000	59,000	44,820	14,180
Enterprise Greenway Link	-	-	73	(73)
Bridge Inspection	-	-	3,000	(3,000)
Total Expenditures	714,000	714,000	710,540	3,460
Excess of Revenues over (under) Expenditures	606,012	606,012	628,980	22,968
Other Financing Sources (Uses)				
Transfer to MVH Local	(328,753)	(328,753)	(328,833)	(80)
Total Other Financing Sources (Uses)	(328,753)	(328,753)	(328,833)	(80)
Net Change in Fund Balances	277,259	277,259	300,147	22,888
Fund Balance-				
July 1, 2004	187,272	402,830	402,830	-
Fund Balance-				
June 30, 2005	\$ 464,531	\$ 680,089	\$ 702,977	\$ 22,888

City of Allen Park
Motor Vehicle Highway Fund-Local
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual - 1
July 1, 2004 to June 30, 2005

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
State of Michigan	\$ 481,182	\$ 481,182	\$ 482,586	\$ 1,404
Miscellaneous	-	-	16,090	16,090
Interest Income	1,000	1,000	3,005	2,005
Total Revenues	482,182	482,182	501,681	19,499
Expenditures				
Construction:				
Streets	-	93,000	205,714	(112,714)
Ramp Sidewalks	-	-	11,131	(11,131)
Maintenance:				
Surface	50,000	50,000	51,577	(1,577)
Special Street Repairs	20,000	20,000	3,155	16,845
Sweeping	210,000	210,000	193,076	16,924
Trees & Shrubs	225,000	225,000	210,716	14,284
Roadside Clean-up	-	-	24,695	(24,695)
Grass & Weeds	85,000	85,000	82,960	2,040
Traffic Signals	45,000	45,000	35,766	9,234
Pavement Marking	4,000	4,000	-	4,000
Winter Maintenance	100,000	100,000	144,829	(44,829)
Employee Fringe Benefits:				
Routine Maintenance	220,000	220,000	156,027	63,973
Traffic Signs	25,000	25,000	25,463	(463)
Winter Maintenance	18,000	18,000	24,614	(6,614)
Administration:				
Salaries	21,000	21,000	14,315	6,685
Fringe Benefits	10,000	10,000	6,433	3,567
Legal & Audit	1,000	1,000	-	1,000
Total Expenditures	1,034,000	1,127,000	1,190,471	(63,471)

City of Allen Park
Motor Vehicle Highway Fund-Local
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual - 2
July 1, 2004 to June 30, 2005

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Excess of Revenues over (under) Expenditures	(551,818)	(644,818)	(688,790)	(43,972)
Other Financing Sources (Uses)				
Transfer from Motor Vehicle Highway Fund-Major	328,753	328,753	328,833	80
Transfer from DDA	-	93,000	187,828	94,828
Transfer from General Fund	223,065	223,065	223,065	-
Total Other Financing Sources (Uses)	551,818	644,818	739,726	94,908
Net Change in Fund Balances	-	-	50,936	50,936
Fund Balance-July 1, 2004	494	42,932	42,932	-
Fund Balance-June 30, 2005	\$ 494	\$ 42,932	\$ 93,868	\$ 50,936

City of Allen Park
Sidewalk Fund
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
July 1, 2004 to June 30, 2005

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Billings	\$ 85,000	\$ 81,544	\$ (3,456)
Interest Income	200	403	203
Assessment Interest	-	829	829
Total Revenues	85,200	82,776	(2,424)
Expenditures			
Sidewalk Construction Cost	70,000	64,940	5,060
Operating Supplies	1,000	83	917
Miscellaneous	200	12,115	(11,915)
Total Expenditures	71,200	77,138	(5,938)
Excess of Revenues Over(Under) Expenditures	14,000	5,638	(8,362)
Net Change in Fund Balances	14,000	5,638	(8,362)
Fund Balance-July 1, 2004	25,298	25,298	-
Fund Balance-June 30, 2005	\$ 39,298	\$ 30,936	\$ (8,362)

City of Allen Park
Building Fund
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
July 1, 2004 to June 30, 2005

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Building Inspection Fees	\$ 400,000	\$ 430,000	\$ 719,628	\$ 289,628
Interest Income	3,500	3,500	2,247	(1,253)
Rental Inspection Revenue	25,000	25,000	7,775	(17,225)
Total Revenues	428,500	458,500	729,650	271,150
Expenditures				
Salaries and Fringe Benefits	273,965	273,965	272,743	1,222
Inspectors	56,000	56,000	55,017	983
Operating Expense	90,200	120,200	145,382	(25,182)
Capital Outlay	20,000	20,000	-	20,000
Total Expenditures	440,165	470,165	473,142	(2,977)
Excess (deficiency) of revenues over (under) expenditures	(11,665)	(11,665)	256,508	268,173
Fund Balance-July 1, 2004	23,909	-	-	-
Fund Balance-June 30, 2005	\$ 23,909	\$ (11,665)	\$ 256,508	\$ 268,173

City of Allen Park
Drug Law Enforcement Fund
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
July 1, 2004 to June 30, 2005

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Forfeited Monies	\$ 100,000	\$ 291,595	\$ 191,595
Interest Income	10,000	9,659	(341)
Miscellaneous	-	10,905	10,905
Total Revenues	110,000	312,159	202,159
Expenditures			
Court & Attorney Costs	1,500	-	1,500
Operating Supplies	-	300	(300)
Personal Services and Benefits	-	-	-
Forfeiture Returns	-	8,200	(8,200)
Insurance	-	-	-
Vehicle Maintenance	500	226	274
Miscellaneous	1,000	229	771
Telephone and Communications	32,300	1,295	31,005
Education and Training	-	-	-
Capital Outlay	428,300	248,361	179,939
Total Expenditures	463,600	258,611	204,989
Excess (deficiency) of revenues over (under) expenditures	(353,600)	53,548	407,148
Fund Balance-July 1, 2004	356,972	356,972	-
Fund Balance-June 30, 2005	\$ 3,372	\$ 410,520	\$ 407,148

City of Allen Park
Community Center Construction
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
July 1, 2004 to June 30, 2005

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
State Grant	- \$	50,000	\$ 50,000
Interest Income	2,500	4,517	2,017
Total Revenues	2,500	54,517	52,017
Expenditures			
Miscellaneous	-	51,305	(51,305)
Bond Issuance Costs	-	619	(619)
Community Center	2,250,106	1,253,018	997,088
Total Expenditures	2,250,106	1,304,942	945,164
Excess (deficiency) of revenues over (under) expenditures	(2,247,606)	(1,250,425)	997,181
Fund Balance-July 1, 2004	1,439,038	1,439,038	-
Fund Balance-June 30, 2005	(\$ 808,568)	\$ 188,613	\$ 997,181

City of Allen Park
Water and Sewer Fund
Statement of Revenue and Expense
Budget and Actual
July 1, 2004 to June 30, 2005

	Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenue:			
Water Sales	\$ 2,900,000	\$ 2,368,697	\$ (531,303)
Water Costs	1,769,600	1,377,700	391,900
Net Water Operating Revenue	1,130,400	990,997	(139,403)
Sewage Sales	2,700,000	2,324,815	(375,185)
Sewage Costs	1,864,760	1,400,738	464,022
Net Sewer Operating Revenue	835,240	924,077	88,837
Operating Revenue Net of Cost	1,965,640	1,915,074	(50,566)
Other Operating Revenue	263,400	421,262	157,862
Total Operating Revenue Net of Cost	2,229,040	2,336,336	107,296
Operating Expense:			
Operations	4,854,351	2,013,360	2,840,991
Depreciation	-	1,028,563	(1,028,563)
Total Operating Expense	4,854,351	3,041,923	1,812,428
Net Income (Loss) from Operations	(2,625,311)	(705,587)	1,919,724
Other Income (expense):			
Interest Income	20,000	34,311	14,311
Interest Expense	(83,318)	(321,742)	(238,424)
Consent Judgment-Sewers	1,730,851	1,749,068	18,217
Total Other Income (Expense)	1,667,533	1,461,637	(205,896)
Net Income (Loss)	\$ (957,778)	\$ 756,050	\$ 1,713,828

City of Allen Park
Water and Sewer Fund
Ecorse Creek Basin
Statement of Revenue and Expense
Budget and Actual
July 1, 2004 to June 30, 2005

	Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenue:			
Flat Charge	\$ 389,000	\$ 389,897	\$ 897
Flow Charge	95,000	90,757	(4,243)
Total Operating Revenue	484,000	480,654	(3,346)
Operating Expense:			
Personal Services	179,470	119,042	60,428
Administration	-	42,966	(42,966)
Overtime	35,000	9,602	25,398
Clothing & Cleaning Allowance	1,500	-	1,500
Employer FICA	16,670	20,096	(3,426)
Employee Benefits	45,830	53,111	(7,281)
Longevity	3,500	3,500	-
Retirement Contribution	28,840	45,962	(17,122)
Compensated Absences	-	73,127	(73,127)
Workers Compensation	9,000	8,126	874
Equipment Rental	10,000	-	10,000
Office Supplies	1,000	885	115
Operating Supplies	1,000	1,817	(817)
Contract Services	1,000	-	1,000
Telephone	2,500	3,610	(1,110)
Fire & Liabilities Insurance	10,000	-	10,000
Utilities	45,000	58,457	(13,457)
Miscellaneous	500	556	(56)
Depreciation	100,000	96,303	3,697
Total Operating Expense	490,810	537,160	(46,350)

	Budget	Actual	Variance Favorable (Unfavorable)
Maintenance Expense:			
Building	10,000	3,219	6,781
Equipment Rental	10,000	-	10,000
Equipment	15,000	712	14,288
Vehicle	-	4,899	(4,899)
Sewers	100,000	24,210	75,790
Total Maintenance Expense	135,000	33,040	101,960
Total Operating Expense	625,810	570,200	55,610
Net Income (Loss) From Operations	(141,810)	(89,546)	52,264
 Other Income (Expense):			
Intergovernmental Charges	(60,000)	-	60,000
Total Other Income (Expense)	(60,000)	-	60,000
Net Income (Loss)	\$ (201,810)	\$ (89,546)	\$ 112,264

City of Allen Park
Water and Sewer Fund/Ecorse Creek Basin
Statement of Revenue, Expense and
Changes in Net Assets - Budget and Actual
July 1, 2004 to June 30, 2005

	Budget	Actual	Variance Favorable (Unfavorable)
Net Income (Loss):			
Water & Sewer Operating Schedule	\$ (957,778)	\$ 756,050	\$ 1,713,828
Ecorse Creek Basin Operating Schedule	(201,810)	(89,546)	112,264
Net Income (Loss) for the System	(1,159,588)	666,504	1,826,092
Net Assets, July 1, 2004	14,960,554	14,960,554	-
Net Assets, June 30, 2005	\$ 13,800,966	\$ 15,627,058	\$ 1,826,092

City of Allen Park
Downtown Development Authority Fund
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
July 1, 2004 to June 30, 2005

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Current Taxes	\$ 1,200,000	\$ 1,153,978	(\$ 46,022)
Rental Income	28,800	9,090	(19,710)
Investment Interest	12,000	20,638	8,638
Miscellaneous Income	10,000	31,260	21,260
Total Revenue	1,250,800	1,214,966	(35,834)
Expenditures:			
Personal Service	46,700	54,310	(7,610)
Employer FICA	3,600	5,916	(2,316)
Employee Benefits	7,840	9,083	(1,243)
Office Supply	1,200	394	806
Engineering Services	100,000	80,655	19,345
Administrative Fee	5,000	30,000	(25,000)
Management Services	400,000	101,281	298,719
Audit & Financial Service	77,100	9,384	67,716
Legal Services	42,000	3,760	38,240
Printing & Publishing	2,000	1,119	881
Site Improvements	-	41,500	(41,500)
Fire & Liability Insurance	2,000	3,462	(1,462)
Utilities/Telephone	31,800	17,179	14,621
Building Maintenance	70,000	91,720	(21,720)
Rent	18,000	-	18,000
Memberships & Dues	1,500	1,270	230
Marketing & Promotions	8,000	2,616	5,384
Tax Adjustments	-	26,012	(26,012)
Economic Restruct	25,000	-	25,000
Operating Transfer Out	267,600	507,828	(240,228)
Facade Improvement Program	100,000	11,766	88,234
Miscellaneous	15,500	9,696	5,804
Total Expenditures	1,224,840	1,008,951	215,889

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Total Revenue Over (Under)			
Expenditures	25,960	206,015	180,055
Other Financing Sources (Uses):			
Transfer to D.D.A. Bond			
Proceeds from Sale of fixed assets	-	421,185	421,185
Debt Retirement Fund			-
Total Other Financing Sources (Uses)	-	421,185	421,185
Net Change in Fund Balances	25,960	627,200	601,240
Fund Balance-July 1, 2004	1,286,137	1,286,137	-
Fund Balance-June 30, 2005	\$ 1,312,097	\$ 1,913,337	\$ 601,240

City of Allen Park
Downtown Development Authority
1992 D.D.A. Bond Debt Retirement Fund
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
July 1, 2004 to June 30, 2005

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Investment Interest	\$ 3,000	\$ 2,337	\$ (663)
Total Revenues	3,000	2,337	(663)
Expenditures:			
Bond Principal	205,000	205,000	-
Bond Interest	65,000	63,503	1,497
Agency Fees	600	250	350
Total Expenditures	270,600	268,753	1,847
Total Revenue Over (Under) Expenditures	(267,600)	(266,416)	1,184
Other Financing Sources(Uses):			
Transfer from D.D.A. Fund	267,600	331,326	63,726
Total Other Financing Sources(Uses)	267,600	331,326	63,726
Net Change in Fund Balances	-	64,910	64,910
Fund Balance- July 1, 2004	315,192	315,192	-
Fund Balance-June 30, 2005	\$ 315,192	\$ 380,102	\$ 64,910

City of Allen Park
Downtown Development Authority
Construction Fund
Statement of Revenues, Expenditures and
Changes in Fund Balance
July 1, 2004 to June 30, 2005

	Actual
Revenues:	
Bond Proceeds	4,482,860
Investment Interest	\$ 5,799
Total Revenues	<u>4,488,659</u>
Expenditures:	
Construction Costs	775,700
Bond Issue Costs	66,512
Total Expenditures	<u>842,212</u>
Total Revenue Over	
(Under) Expenditures	<u>3,646,447</u>
Other Financing Sources(Uses):	
Transfer to D.D.A. Bond Debt Fund	(11,326)
Total Other Financing Sources(Uses)	<u>(11,326)</u>
Net Change in Fund Balances	3,635,121
Fund Balance- July 1, 2004	-
Fund Balance-June 30, 2005	<u>\$ 3,635,121</u>

CITY OF ALLEN PARK
WAYNE COUNTY, MICHIGAN
COMMENTS AND RECOMMENDATIONS
JUNE 30, 2005

DARNELL & MEYERING, P.C.

Certified Public Accountants

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MEMBERS

AMERICAN INSTITUTE OF

CERTIFIED PUBLIC ACCOUNTANTS

MICHIGAN ASSOCIATION OF

CERTIFIED PUBLIC ACCOUNTANTS

October 15, 2005

The Honorable Mayor and
Members of the City Council
City of Allen Park
16850 Southfield
Allen Park, MI 48101

We have audited the financial statements of the City of Allen Park for the year ended June 30, 2005 and have issued our report dated October 15, 2005. As part of our audit, we reviewed the City's accounting procedures and system of internal control to determine the nature, timing, and extent of the auditing procedures necessary to express an opinion on the annual financial statements.

The objective of internal control is to provide reasonable, but not absolute assurance as to: 1) the safeguarding of assets against loss from unauthorized use or disposition, 2) proper division of duties between various employees to provide a reasonable check upon transactions and, 3) the reliability of financial accountability for assets.

We would like to note, based on the prior years comments and recommendations that the following changes have been made:

1. The payroll bank has been closed and is now reconciled monthly within the fund it pertains to.

The following are comments and recommendations that we have at this time:

1. Comment.

Again, various activities in the general fund were over expended as compared to the budget.

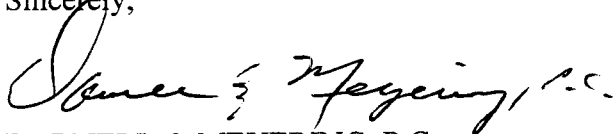
Comments and Recommendations
October 15, 2005
Page 2

Recommendation:

The City approves its budget at the activity level; therefore, budget adjustments should be made prior to the fiscal year ended June 30, 2005 to remain in compliance with the budgeting act.

The above comments and recommendations are presented for your consideration. If there are any questions regarding these matters of internal control we would be glad to discuss them with you at your earliest convenience.

Sincerely,

A handwritten signature in cursive script, appearing to read "Darnell & Meyering, P.C.", written in dark ink.

DARNELL & MEYERING, P.C.